

**REPORT OF THE AUDIT OF THE  
BOURBON COUNTY  
FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2010**



**CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS  
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**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky  
Honorable Steven L. Beshear, Governor  
Jonathan Miller, Secretary  
Finance and Administration Cabinet  
Honorable Donnie R. Foley, Bourbon County Judge/Executive  
Members of the Bourbon County Fiscal Court

The enclosed report prepared by Blue & Company, LLC, presents the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Bourbon County, Kentucky, as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements.

We engaged Blue & Company, LLC, to perform the audit of these financial statements. We worked closely with the firm during our report review process; Blue & Company, LLC evaluated Bourbon County's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in cursive script, reading "Crit Luallen".

Crit Luallen  
Auditor of Pubic Accounts

Enclosure





**EXECUTIVE SUMMARY**

**AUDIT EXAMINATION OF THE  
BOURBON COUNTY FISCAL COURT**

**June 30, 2010**

Blue and Company, LLC has completed the audit of the Bourbon County Fiscal Court for the fiscal year ended June 30, 2010.

We have issued unqualified opinions, based on our audit, on the governmental activities, the business - type activities, each major fund, and the aggregate remaining fund information of Bourbon County, Kentucky.

**Financial Condition:**

The fiscal court had net assets of \$17,500,446 as of June 30, 2010. The fiscal court had unrestricted net assets of \$3,298,000 in its governmental activities as of June 30, 2010, with total net assets of \$17,494,443. In its business-type activities, total net cash and cash equivalents were \$6,003 with total net assets of \$6,003. The fiscal court had total debt principal as of June 30, 2010 of \$6,710,187 with \$501,147 due within the next year.

**Report Comments:**

- |         |  |
|---------|--|
| 2010-01 | The Fiscal Court Should Maintain Complete And Accurate Capital Asset Schedules To Comply With GASB 34 Requirements And Inventory Capital Assets Periodically |
| 2010-02 | The Jail Should Charge Jail Fees In Accordance With The Fee Schedule Adopted By The Fiscal Court   |
| 2010-03 | The Jail Did Not Maintain An Adequate Cash Disbursements Journal Or Properly Reconcile The Canteen Fund Bank Account   |
| 2010-04 | Accounts Receivable Of Jail Inmate Fees Should Be Properly Accounted For And Reconciled  |
| 2010-05 | Sales Tax On Prepaid Phone Cards Sold At The Jail Should Be Collected And Remitted   |

**Deposits:**

The fiscal court deposits were insured and collateralized by bank securities.



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## APPENDIX A:

CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM







Blue & Co., LLC / 301 East Main Street, Suite 1100 / Lexington, KY 40507  
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To the People of Kentucky  
Honorable Steven L. Beshear, Governor  
Jonathan Miller, Secretary  
Finance and Administration Cabinet  
Honorable Donnie R. Foley, Bourbon County Judge/Executive  
Members of the Bourbon County Fiscal Court

### Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Bourbon County, Kentucky, as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Bourbon County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Bourbon County, Kentucky, prepares its financial statements in accordance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Bourbon County, Kentucky, as of June 30, 2010, and the respective changes in financial position and cash flows where applicable thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The County has not presented the management's discussion and analysis that the Government Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be a part of, the basic financial statements. The budgetary comparison information on pages 44 through 47 is not a required part of the basic financial statement but is supplementary information required by GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the budgetary comparison information. However, we did not audit the information and express no opinion on it.

To the People of Kentucky  
 Honorable Steven L. Beshear, Governor  
 Jonathan Miller, Secretary  
 Finance and Administration Cabinet  
 Honorable Donnie Foley, Bourbon County Judge/Executive  
 Members of the Bourbon County Fiscal Court

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Bourbon County, Kentucky's basic financial statements. The accompanying supplementary information, combining fund financial statements on pages 49 through 58, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated February 15, 2011, on our consideration of Bourbon County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Based on the results of our audit, we present the accompanying comments and recommendations, included herein, which discusses the following report comments:

- 2010-01      The Fiscal Court Should Maintain Complete And Accurate Capital Asset Schedules To Comply With GASB 34 Requirements And Inventory Capital Assets Periodically
- 2010-02      The Jail Should Charge Jail Fees In Accordance With The Fee Schedule Adopted By The Fiscal Court
- 2010-03      The Jail Did Not Maintain An Adequate Cash Disbursements Journal Or Properly Reconcile The Canteen Fund Bank Account
- 2010-04      Accounts Receivable Of Jail Inmate Fees Should Be Properly Accounted For And Reconciled
- 2010-05      Sales Tax On Prepaid Phone Cards Sold At The Jail Should Be Collected And Remitted

Respectfully submitted,

*Blue & Co., LLC*

February 15, 2011

BOURBON COUNTY OFFICIALS

For The Year Ended June 30, 2010

**Fiscal Court Members:**

Donnie R. Foley	County Judge/Executive
Mark Offutt	Magistrate
Marion Dawson	Magistrate
Barry L. Hay	Magistrate
Martha Overly	Magistrate
Donald R. McCarty	Magistrate
Cecil Foley	Magistrate
John N. Smoot	Magistrate

**Other Elected Officials:**

Dorothy M. Mastin	County Attorney
Tony Horn	Jailer
Richard S. Eads	County Clerk
Beverly Smits	Circuit Court Clerk
Mark L. Matthews	Sheriff
Woodford Wayne Turner	Property Valuation Administrator
Rosemary Kitchen	Coroner

**Appointed Personnel:**

Mary Allen Hedges	County Treasurer
Mary Allen Hedges	Occupational Tax Collector
Lucia Sparks	Finance Officer

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**BOURBON COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2010**



**BOURBON COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2010**

	<b>Primary Government</b>		
	<b>Governmental</b>	<b>Business-Type</b>	<b>Totals</b>
	<b>Activities</b>	<b>Activities</b>	
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 3,502,129	\$ 6,003	\$ 3,508,132
Total Current Assets	3,502,129	6,003	3,508,132
Noncurrent Assets:			
Permanently Restricted Assets:			
Cash and Cash Equivalents	234,171		234,171
Bonds - Government	477,167		477,167
Bonds - Corporate	1,554,044		1,554,044
Mutual Funds - Fixed	579,398		579,398
Mutual Funds - Equity	1,319,795		1,319,795
Mutual Funds - Taxable	352,884		352,884
Common Stock	1,067,518		1,067,518
Real Estate Investment Trust	3,852		3,852
Capital Assets - Net of Accumulated Depreciation:			
Land and Land Improvements	856,877		856,877
Buildings	9,667,044		9,667,044
Other Equipment	706,824		706,824
Vehicles and Equipment	355,950		355,950
Infrastructure Assets	3,526,977		3,526,977
Total Noncurrent Assets	20,702,501		20,702,501
Total Assets	24,204,630	6,003	24,210,633
<b>LIABILITIES</b>			
Current Liabilities:			
Revenue Bonds	245,000		245,000
General Obligation Bonds	250,000		250,000
Financing Obligations	6,147		6,147
Total Current Liabilities	501,147		501,147
Noncurrent Liabilities:			
Revenue Bonds	3,355,000		3,355,000
General Obligation Bonds	2,790,000		2,790,000
Financing Obligations	64,040		64,040
Total Noncurrent Liabilities	6,209,040		6,209,040
Total Liabilities	6,710,187		6,710,187
<b>NET ASSETS</b>			
Invested in Capital Assets,			
Net of Related Debt	8,403,485		8,403,485
Restricted For:			
Capital Projects	202,099		202,099
Permanent Fund	5,588,829		5,588,829
Debt Service	2,030		2,030
Unrestricted	3,298,000	6,003	3,304,003
Total Net Assets	\$ 17,494,443	\$ 6,003	\$ 17,500,446

The accompanying notes are an integral part of the financial statements.

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**BOURBON COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2010**

**BOURBON COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2010**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues Received</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Primary Government:</b>				
Governmental Activities:				
General Government	\$ 3,385,390	\$ 71,514	\$ 1,433,648	\$
Protection to Persons and Property	2,380,867	570,144	480,952	10,169
General Health and Sanitation	598,417	6,560		312,274
Social Services	376,456			
Recreation and Culture	276,724	11,205		
Roads	950,511		1,194,147	324,418
Interest On Long-term Debt	265,454			
Total Governmental Activities	<u>8,233,819</u>	<u>659,423</u>	<u>3,108,747</u>	<u>646,861</u>
Business-type Activities:				
Jail Canteen	<u>32,459</u>	<u>18,323</u>		
Total Business-type Activities	<u>32,459</u>	<u>18,323</u>		
Total Primary Government	<u>\$ 8,266,278</u>	<u>\$ 677,746</u>	<u>\$ 3,108,747</u>	<u>\$ 646,861</u>

**General Revenues:**

Taxes:

Real Property Taxes

Occupational and Net Profits Taxes

Motor Vehicle Taxes

Other Taxes

Excess Fees

Miscellaneous Revenues

Investment Income

Total General Revenues

Change in Net Assets

Net Assets - Beginning (as previously reported)

Prior Period Adjustment

Net Assets - Beginning (as restated)

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

**BOURBON COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2010**  
**(Continued)**

<b>Net (Expenses) Revenues and Changes in Net Assets</b>		
<b>Primary Government</b>		
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Totals</b>
\$ (1,880,228)	\$	\$ (1,880,228)
(1,319,602)		(1,319,602)
(279,583)		(279,583)
(376,456)		(376,456)
(265,519)		(265,519)
568,054		568,054
(265,454)		(265,454)
(3,818,788)		(3,818,788)
	(14,136)	(14,136)
	(14,136)	(14,136)
(3,818,788)	(14,136)	(3,832,924)
1,280,057		1,280,057
2,187,605		2,187,605
204,956		204,956
143,490		143,490
637,878		637,878
124,797		124,797
79,008		79,008
4,657,791		4,657,791
839,003	(14,136)	824,867
16,625,441	20,139	16,645,580
29,999		29,999
16,655,440	20,139	16,675,579
\$ 17,494,443	\$ 6,003	\$ 17,500,446

The accompanying notes are an integral part of the financial statements.

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**BOURBON COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**June 30, 2010**

**BOURBON COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**June 30, 2010**

	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>	<b>John Marston Educational Fund</b>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 2,511,913	\$ 186,957	\$ 20,085	\$
Cash and Cash Equivalents - Non-Expendable Trust				51,000
Bonds - Government				170,000
Bonds - Corporate				527,481
Mutual Funds - Fixed				
Mutual Funds - Equity				245,940
Mutual Funds - Taxable				
Common Stock				439,755
Real Estate				
Total Assets	<u>2,511,913</u>	<u>186,957</u>	<u>20,085</u>	<u>1,434,176</u>
<b>FUND BALANCES</b>				
Reserved for:				
Encumbrances	4,054	13,861	1,298	
Permanent Funds				1,434,176
Unreserved:				
General Fund	2,507,859			
Special Revenue Funds		173,096	18,787	
Capital Projects Fund				
Debt Service Fund				
Total Fund Balances	<u>\$ 2,511,913</u>	<u>\$ 186,957</u>	<u>\$ 20,085</u>	<u>\$ 1,434,176</u>

The accompanying notes are an integral part of the financial statements.

**BOURBON COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**June 30, 2010**  
**(Continued)**

<b>Clifton Gillespie Fund</b>	<b>Public Properties Corporation Courthouse Bonds Fund</b>	<b>Public Properties Corporation Bond Proceeds Fund</b>	<b>Non- Major Governmental Funds</b>	<b>Total Governmental Funds</b>
\$	\$ 202,099	\$ 2,030	\$ 579,045	\$ 3,502,129
21,056			162,115	234,171
61,786			245,381	477,167
653,947			372,616	1,554,044
			579,398	579,398
			1,073,855	1,319,795
			352,884	352,884
608,817			18,946	1,067,518
3,852				3,852
<u>1,349,458</u>	<u>202,099</u>	<u>2,030</u>	<u>3,384,240</u>	<u>9,090,958</u>
1,349,458			20	19,232
			2,805,195	5,588,829
				2,507,859
			579,025	770,908
	202,099			202,099
		2,030		2,030
<u>\$ 1,349,458</u>	<u>\$ 202,099</u>	<u>\$ 2,030</u>	<u>\$ 3,384,240</u>	<u>\$ 9,090,958</u>

**Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets:**

Total Fund Balances	\$ 9,090,958
Amounts Reported for Governmental Activities in the Statement of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources and Therefore Are Not Reported in the Funds.	19,944,913
Accumulated Depreciation	(4,831,241)
Long-term Debt Is Not Due and Payable in the Current Period and, Therefore, Is Not Reported in the Funds.	
Financing Obligations	(70,187)
Bonds	(6,640,000)
Net Assets Of Governmental Activities	<u>\$ 17,494,443</u>

The accompanying notes are an integral part of the financial statements.

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**BOURBON COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2010**

**BOURBON COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2010**

	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>	<u>John Marston Educational Fund</u>
<b>REVENUES</b>				
Taxes	\$ 3,816,006	\$	\$	\$
Excess Fees	637,878			
Licenses and Permits	57,896			
Intergovernmental	1,267,936	1,372,651	701,880	
Charges for Services	11,205		22,787	
Miscellaneous	90,049	24,741	59,940	
Interest	4,334	482	50	16,312
Total Revenues	<u>5,885,304</u>	<u>1,397,874</u>	<u>784,657</u>	<u>16,312</u>
<b>EXPENDITURES</b>				
General Government	1,503,266			
Protection to Persons and Property	914,017		1,264,195	
General Health and Sanitation	556,577	41,840		
Social Services	219,331			
Recreation and Culture	259,194			
Roads		767,658		
Debt Service	373,776			
Capital Projects	431	639,563		
Administration	900,455	207,803	258,467	
Total Expenditures	<u>4,727,047</u>	<u>1,656,864</u>	<u>1,522,662</u>	
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>1,158,257</u>	<u>(258,990)</u>	<u>(738,005)</u>	<u>16,312</u>
<b>Other Financing Sources (Uses)</b>				
Transfers To Other Funds	(1,000,000)			(48,538)
Transfers From Other Funds		250,000	750,000	
Total Other Financing Sources (Uses)	<u>(1,000,000)</u>	<u>250,000</u>	<u>750,000</u>	<u>(48,538)</u>
Net Change in Fund Balances	158,257	(8,990)	11,995	(32,226)
Fund Balances - Beginning	2,353,656	195,947	8,090	1,466,402
Fund Balances - Ending	<u>\$ 2,511,913</u>	<u>\$ 186,957</u>	<u>\$ 20,085</u>	<u>\$ 1,434,176</u>

The accompanying notes are an integral part of the financial statements.

**BOURBON COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2010**  
**(Continued)**

<b>Clifton Gillespie Fund</b>	<b>Public Properties Corporation Courthouse Bonds Fund</b>	<b>Public Properties Corporation Bond Proceeds Fund</b>	<b>Non-Major Governmental Fund</b>	<b>Total Governmental Funds</b>
\$	\$	\$	\$	\$ 3,816,006
				637,878
				57,896
		378,530	543,914	4,264,911
				33,992
2,304			6,096	183,130
48,121	3		9,706	79,008
50,425	3	378,530	559,716	9,072,821
	195	506	285	1,504,252
			131,737	2,309,949
				598,417
			157,125	376,456
				259,194
				767,658
		377,530		751,306
				639,994
			359,469	1,726,194
	195	378,036	648,616	8,933,420
50,425	(192)	494	(88,900)	139,401
(46,538)			(50,044)	(1,145,120)
			145,120	1,145,120
(46,538)			95,076	
3,887	(192)	494	6,176	139,401
1,345,571	202,291	1,536	3,378,064	8,951,557
\$ 1,349,458	\$ 202,099	\$ 2,030	\$ 3,384,240	\$ 9,090,958

The accompanying notes are an integral part of the financial statements.

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**BOURBON COUNTY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2010**



**BOURBON COUNTY  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES -  
MODIFIED CASH BASIS**

**For The Year Ended June 30, 2010**

**Reconciliation to the Statement of Activities:**

Net Change in Fund Balances - Total Governmental Funds	\$	139,401
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Amounts Reported for Governmental Activities in the Statement of Activities Are Different Because Governmental Funds Report Capital Outlays as Expenditures. However, in the Statement of Activities, the Cost of Those Assets Are Allocated Over Their Estimated Useful Lives and Reported as Depreciation Expense.

Capital Outlay		853,655
Depreciation Expense		(637,331)
Net Book Value of Assets Disposed		(2,690)

Lease and Bond Principal Payments Are Expensed in the Governmental Funds as a use of Current Financial Resources.

Financing Obligations Principal Amount		5,968
Bond Payments		480,000

Change in Net Assets of Governmental Activities	\$	839,003
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**BOURBON COUNTY**  
**STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**June 30, 2010**



**BOURBON COUNTY**  
**STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**June 30, 2010**

	<b>Business-Type Activity</b>
	<b>Enterprise Fund</b>
	<b>Jail Canteen Fund</b>
<b>Assets</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 6,003
Total Assets	<u>6,003</u>
<b>Net Assets</b>	
Unrestricted	<u>6,003</u>
Total Net Assets	<u><u>\$ 6,003</u></u>

The accompanying notes are an integral part of the financial statements.

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**BOURBON COUNTY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -**  
**PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2010**



**BOURBON COUNTY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -**  
**PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2010**

	<b>Business-Type Activity</b> <hr/> <b>Enterprise Fund</b> <hr/>
	<b>Jail Canteen Fund</b> <hr/>
<b>Revenues</b>	
Total Revenues	\$ 18,323
<b>Expenses</b>	
Educational and Recreational	8,733
Inmate Refund	26
Other Expenses	23,700
Total Expenses	32,459
Operating Loss	(14,136)
Change In Net Assets	(14,136)
Total Net Assets - Beginning	20,139
Total Net Assets - Ending	\$ 6,003

The accompanying notes are an integral part of the financial statements.

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**BOURBON COUNTY**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2010**



**BOURBON COUNTY**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2010**

	<b>Business-Type Activity</b> <hr/> <b>Enterprise Fund</b> <hr/>
	<b>Jail Canteen Fund</b> <hr/>
<b>Cash Flows From Operating Activities and/or Noncapital Financing Activities</b>	
Revenues	\$ 18,323
Payments to Vendors	(32,433)
Inmate Refund	<hr/> (26) <hr/>
Net Decrease in Cash	(14,136)
Cash and Cash Equivalents - July 1, 2009	<hr/> 20,139 <hr/>
Cash and Cash Equivalents - June 30, 2010	<hr/> <u>\$ 6,003</u> <hr/>

The accompanying notes are an integral part of the financial statements.

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**BOURBON COUNTY**  
**STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2010**



**Jail  
Inmate  
Fund**

\$	32,084
	<hr/>
	32,084

$$\begin{array}{r} 32,084 \\ \hline 32,084 \end{array}$$

\$ 0

The accompanying notes are an integral part of the financial statements.

**INDEX FOR NOTES  
TO THE FINANCIAL STATEMENTS**

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**BOURBON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2010**

**Note 1. Summary of Significant Accounting Policies**

**A. Basis of Presentation**

Bourbon County Fiscal Court (the County) presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Property tax receivables, accounts payable, compensated absences and other accruals, and donated assets, among other items, are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the County to report capital assets and infrastructure; however, the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

**B. Reporting Entity**

The financial statements of Bourbon County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the County is financially accountable or the organization's exclusion would cause the County's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. The County has no discretely presented component units.

**Blended Component Units**

The following legally separate organization provides its services exclusively to the primary government, and the fiscal court is able to impose its will on this organization. This organization's balances and transactions are reported as though they are part of the County's primary government using the blending method.

**BOURBON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**B. Reporting Entity (Continued)**

Bourbon County Public Properties Corporation

The Bourbon County Public Properties Corporation (the Corporation) cannot be sued in its own name without recourse to the Bourbon County Fiscal Court, which appoints a voting majority consisting of fiscal court members and the County Attorney. The Fiscal Court is able to impose its will on the Corporation, as the Corporation is created solely for the benefit of the fiscal court per Kentucky Revised Statute (KRS) 58.180 to act as an agent in the acquisition and financing of any public project. The Fiscal Court has access to the Corporation's resources, is legally obligated to finance the debts of or provide financial support to the Corporation. The Corporation is financially accountable to the Fiscal Court. This component unit is blended within Bourbon County's financial statements as the Public Properties Corporation Courthouse Bonds Fund and the Public Properties Corporation Bond Proceeds Fund.

**C. Bourbon County Elected Officials**

Kentucky law provides for election of the officials below from the geographic area constituting Bourbon County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the County, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Bourbon County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

**D. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) are reported using the economic resources measurement focus and modified cash basis of accounting and report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

**BOURBON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements (Continued)**

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Generally, and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) September 15, due at discount November 1, due at face value December 31, delinquent January 1, following the assessment, and subject to sale ninety days following April 15.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

**Governmental Funds**

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified cash basis of accounting.

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the Fiscal Court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

**BOURBON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements (Continued)**

Governmental Funds (Continued)

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck license distribution, municipal road aid, and transportation grants. The Department for Local Government requires the Fiscal Court to maintain these receipts and expenditures separately from the General Fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the County. The primary sources of revenue for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Department for Local Government requires the Fiscal Court to maintain these receipts and expenditures separately from the General Fund.

John Marston Educational Fund - This fund was established by the will and codicil of John Marston. The will imposed that the funds be held in perpetuity, which means that the original principal amount remain intact. The primary purpose of this fund is to account for income generated by the principal. The income less applicable administrative costs is to be spent for educational scholarships. The County has a committee, appointed by the County Judge/Executive, that decides how the money shall be disbursed based on applications received by the County Judge/Executive's office.

Clifton Gillespie Fund - This fund was established by the will and codicil of Clifton Gillespie. The will imposed that the funds be held in perpetuity, which means that the original principal amount remain intact. The primary purpose of this fund is to provide financial assistance with hospitals to indigent residents of Bourbon County. The County Judge/Executive decides who shall receive assistance from this fund by applications submitted. Each eligible person is limited to \$2,000.

Public Properties Corporation Courthouse Bonds Fund - The Public Properties Corporation Fund accounts for the activities of the Public Properties Corporation, a blended component unit of the County. The Public Properties Corporation issued debt to complete renovations on the courthouse. The Department for Local Government does not require the fiscal court to report or budget these funds.

Public Properties Corporation Bond Proceeds Fund - The Public Properties Corporation Fund accounts for the activities of the Public Properties Corporation, a blended component unit of the County. The Public Properties Corporation issued debt to construct/finance a judicial center. The Department for Local Government does not require the fiscal court to report or budget these funds.

The primary government also has the following non-major funds: Local Government Economic Assistance Fund, State Grant Fund, Wright House Fund, Phase I Fund, Health and Welfare Fund, Educational Trust Checking Fund, E.M. Costello Fund, Garth Fund, Thomas Costello Fund, Hamilton Fund, Robert Meteer Fund, Lucy Anderson Fund, Harrell-Kennedy Fund, Elaine Hinkle Fund, Lou Redmon Fund, Howard Forquer Fund, May Goff Fund, Talbott Clay Fund, Frances Champ Fund, FM Gillespie Fund and the Ella Davis Fund.

**BOURBON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements (Continued)**

Permanent Funds

The John Marston Educational Fund, Clifton Gillespie Fund, E.M. Costello Fund, Garth Fund, Thomas Costello Fund, Hamilton Fund, Robert Meteer Fund, Lucy Anderson Fund, Harrell-Kennedy Fund, Elaine Hinkle Fund, Lou Redmon Fund, Howard Forquer Fund, May Goff Fund, Talbott Clay Fund, Frances Champ Fund, FM Gillespie Fund and the Ella Davis Fund are considered permanent funds. Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the county's programs. The trust fund is maintained by a third-party trustee who determines the investment portfolio of the fund.

Special Revenue Funds

The Road Fund, Jail Fund, Local Government Economic Assistance Fund, State Grant Fund, Wright House Fund, Phase I Fund, Health and Welfare Fund and the Educational Trust Checking Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

Capital Project Fund

The Public Properties Corporation Courthouse Bonds Fund is presented as a capital projects fund. Capital projects funds are used to account for the financial resources to be used for the acquisition or construction of major capital facilities.

Debt Service Fund

The Public Properties Corporation Bond Proceeds Fund is presented as a debt service fund. Debt service funds are to account for the accumulation of resources for, and the payment of general long-term debt principal and interest.

Proprietary Fund

Proprietary funds are reported using the economic resources measurement focus and the modified cash basis of accounting. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the County's enterprise funds are profits generated from the canteen. Operating expenses for the enterprise fund consists of items used for the benefit or recreation of the inmates.

The government has elected not to adopt Financial Accounting Standards Board (FASB) Statements or Interpretations issued after November 30, 1989, unless the Government Accounting Standards Board (GASB) specifically adopts such FASB Statements or Interpretations.

**BOURBON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements (Continued)**

Proprietary Fund (Continued)

The primary government reports the following major proprietary fund:

Jail Canteen Fund – Inmates at the jail are setup with an account upon entry. Inmates are permitted to order items, such as snacks, and use money from their account to pay. This fund's purpose is to record the profits from this operation. The profits generated are used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

Fiduciary Funds

Fiduciary funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments. The County's agency fund is used to account for monies held by the County for custodial purposes only. Unlike other funds, the agency fund reports assets and liabilities only; therefore, it has no measurement focus.

The primary government reports the following fiduciary fund:

Inmate Account Fund - This fund accounts for funds received from the inmates.

**E. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

**F. Deposits and Investments**

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments of the County acquired with cash are recorded at cost because the amount of the cash disbursement represents the original fair value of the investment on the date of purchase. Recording unrealized gains or losses on investments is not a cash transaction and therefore reporting unrealized gains or losses does not meet the modified cash basis definition.

**BOURBON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**G. Capital Assets**

Capital assets, which include land, non-depreciable land improvements, depreciable land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction in Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 25,000	10-60
Buildings and Building Improvements	25,000	10-75
Other Equipment	2,500	3-25
Vehicles and Equipment	2,500	3-25
Infrastructure	25,000	10-50

**H. Long-term Obligations**

In the government-wide financial statements and proprietary funds in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes, and financing obligations are reported.

In the fund financial statements, governmental funds recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

**I. Fund Equity**

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

**BOURBON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**I. Fund Equity (Continued)**

“Reserved for Encumbrances” are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

**J. Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. Formal budgets are not adopted for the Health and Welfare Fund, educational and other trust funds or the Jail Canteen Fund.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the Fiscal Court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the Fiscal Court by July 1.

The Fiscal Court may change the original budget by transferring appropriations at the activity level; however, the Fiscal Court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

The State Local Finance Officer does not require the Public Properties Corporation Fund and the Public Properties Construction Fund to be budgeted. Bond indentures and other relevant contractual provisions require specific payments to and from these funds annually and transfers are budgeted in the General Fund Type to comply with these requirements.

The State Local Finance Officer does not require the Jail Canteen Fund and the Jail Inmate Agency Fund to be budgeted because the fiscal court does not approve the expenses made from these funds.

The Health and Welfare Fund, educational and other trust funds are not budgeted because the financial activity is determined based on legal or outside conditions and requirements.

**K. Related Organization and Joint Venture**

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization’s governing board. Based on these criteria, the Judy Water Association is considered a related organization of Bourbon County Fiscal Court.

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based upon these criteria, the Paris-Bourbon County Economic Development Authority is considered a joint venture of the Bourbon County Fiscal Court.



**BOURBON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**  
**(Continued)**

**Note 2. Deposits and Investments**

**A. Deposits**

The primary government maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

**Custodial Credit Risk - Deposits**

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of June 30, 2010, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

**B. Investments**

As of June 30, 2010, the County had the following investments:

<b>I. Cash</b>	<b>Cost</b>	
Cash	\$	7,678
Money Market		226,493
Total	\$	<u>234,171</u>

<b>II. Investments</b>	<b>Cost</b>				
	<b>&lt; 1 Year</b>	<b>1-5 Years</b>	<b>6-10 Years</b>	<b>11-15 Years</b>	<b>16-20 Years</b>
Fixed Income Investments:					
Corporate Bonds	\$ 683,819	\$ 419,212	\$ 451,011	\$	\$
Government and Municipal Bonds		96,730	190,467	108,758	81,212
Total	<u>\$ 683,819</u>	<u>\$ 515,942</u>	<u>\$ 641,478</u>	<u>\$ 108,758</u>	<u>\$ 81,212</u>

<b>Other Investments:</b>	<b>Cost</b>	
Common Stock	\$	1,067,518
Mutual Funds		2,252,079
Real Estate Investment Trust		3,852
Total	\$	<u>3,323,449</u>

Total Investments	\$	<u>5,354,658</u>
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**Interest Rate Risk.** The County does not have a formal investment policy that limits its investment maturities as a means of managing its exposure to losses arising from changes in interest rates.

**BOURBON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**  
**(Continued)**

**Note 2. Deposits and Investments (Continued)**

**B. Investments (Continued)**

**Credit Risk.** KRS 66.480 limits the County's investments in the following:

- Obligations of the United States and of its agencies and instrumentalities, including obligations subject to repurchase agreements, obligations and contracts for future delivery or purchase of obligations backed by the United States or its agencies and obligations of any corporation of the United States Government.
- Certificates of Deposit issued by or other interest-bearing accounts of any bank or savings and loan institution insured by the Federal Deposit Insurance Corporation or similar entity.
- Uncollateralized certificates of deposit issued by any bank or savings and loan institution rated in one of the three highest categories by a nationally recognized rating agency.
- Bankers' acceptances for bank's rate in one of the three highest categories by a nationally recognized rating agency.
- Commercial paper rated in the highest category by a nationally recognized agency.
- Bonds or certificates of indebtedness of this state and of its agencies and instrumentalities.
- Securities issued by a state or local government, or any instrumentality of agency thereof, in the United States and rated in one of the three highest categories by a nationally recognized rating agency.
- Shares of mutual funds meeting specific characteristics outlined in the statute shall be eligible investments.

Also, the County is limited to investing no more than 20% in any one of four specifically mentioned investments as allowed by KRS 66.480. The County had no investment policy that would further limit its investment choices. In general, certificates of deposit are not subject to investment credit risk. See the chart below for credit ratings for each individual investment type.

**Investments and Credit Ratings:**

	<u>Aa1/Aa2/Aa3</u>	<u>A1/A2/A3</u>	<u>Ba1/Ba2/Ba3</u>	<u>B1/B2/B3</u>	<u>Cost</u>
Fixed Income Investments:					
Municipal Bonds	\$ 170,000	\$	\$	\$	\$ 170,000
Corporate Bonds	803,948	547,038	29,873	173,185	1,554,044
Mutual Funds	98,305	207,000			579,398
Total:	<u>\$ 1,072,253</u>	<u>\$ 754,038</u>	<u>\$ 29,873</u>	<u>\$ 173,185</u>	<u>\$ 2,303,442</u>

**Concentration of Credit Risk.** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Concentration of credit risk is the risk of loss attributed to the magnitude of the County's investment in a single issuer. The Fifth Third Total Return Bond Fund is the only investment that exceeded five percent or more of the total investments for the County. The Fifth Third Total Return Bond Fund represents approximately 9% of total investments for the County.

**Custodial Credit Risk.** For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments held in the possession of an outside party. The County does not have an investment policy for custodial credit risk. As of June 30, 2010, the County's investments were not exposed to custodial credit risk.

**BOURBON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**  
**(Continued)**

**Note 3. Capital Assets**

Capital asset activity for the year ended June 30, 2010 was as follows:

	Reporting Entity		
	Beginning Balance (as restated)	Increases	Decreases
<b>Primary Government:</b>			
<u>Governmental Activities:</u>			
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 856,877	\$	\$ 856,877
Construction In Progress			
Total Capital Assets Not Being Depreciated	<u>856,877</u>		<u>856,877</u>
Capital Assets Being Depreciated:			
Buildings and Improvements	11,557,337		11,557,337
Other Equipment	1,561,075	76,289	(4,600)
Vehicles and Equipment	1,270,224	137,803	(16,029)
Infrastructure	3,866,374	639,563	
Total Capital Assets Being Depreciated	<u>18,255,010</u>	<u>853,655</u>	<u>(20,629)</u>
Less Accumulated Depreciation For:			
Buildings and Improvements	(1,690,802)	(199,491)	(1,890,293)
Other Equipment	(812,494)	(117,356)	3,910
Vehicles and Equipment	(954,890)	(95,187)	14,029
Infrastructure	(753,663)	(225,297)	
Total Accumulated Depreciation	<u>(4,211,849)</u>	<u>(637,331)</u>	<u>17,939</u>
Total Capital Assets Being Depreciated, Net	<u>14,043,161</u>	<u>216,324</u>	<u>(2,690)</u>
Governmental Activities Capital Assets, Net	<u>\$14,900,038</u>	<u>\$ 216,324</u>	<u>\$ (2,690)</u>
			<u>\$15,113,672</u>

Depreciation expense was charged to functions of the primary government as follows:

<u>Governmental Activities:</u>	
General Government	\$ 155,060
Protection to Persons and Property	153,934
Recreation and Culture	16,840
Roads, Including Depreciation of General Infrastructure Assets	<u>311,497</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 637,331</u>

The County has elected not to report infrastructure assets retroactively; therefore, only infrastructure costs incurred since implementation of GASB 34 in fiscal year 2004 to present are reflected as a capital asset. Future infrastructure asset expenditures will be capitalized and expensed according to the capitalization policy adopted by the Fiscal Court.

**BOURBON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**  
**(Continued)**

**Note 4. Long-term Debt**

**A. Promissory Term Note Agreement**

During fiscal year ended June 30, 1998, the Bourbon County Public Properties Corporation entered into a promissory term note agreement with Community Ventures Corporation for the purchase and renovation of a manufacturing facility. The Public Properties Corporation was obligated to pay \$131,500 in principal payments over seven years, beginning in 1997 and ending in 2004. On November 15, 2004, the Public Properties Corporation refinanced this promissory term note, with an obligation to pay \$98,656 in principal payments over sixty (60) months, beginning December 15, 2004, with a balloon payment scheduled to be made at the end of the note. On February 18, 2010, the Public Properties Corporation refinanced this promissory term note again, with an obligation to pay \$73,157 in principal payments over sixty (60) months at a stated interest rate of 6.25%, beginning March 15, 2010, with a balloon payment scheduled to be made at the end of the note. As of June 30, 2010, the outstanding principal balance of this note was \$70,187. Future principal and interest requirements are:

Fiscal Year Ended June 30,	Governmental Activities	
	Principal	Interest
2011	\$ 6,147	\$ 4,271
2012	6,542	3,876
2013	6,963	3,455
2014	7,411	3,007
2015	43,124	1,958
Totals	<u>\$ 70,187</u>	<u>\$ 16,567</u>

The note is secured by a mortgage lien on real estate located at 8 Legion Drive in Bourbon County.

**B. First Mortgage Revenue Bonds, Series 2006 (Court Facilities Project)**

On December 1, 2006, the Bourbon County Public Properties Corporation issued First Mortgage Revenue Bonds, Series 2006, in the amount of \$4,260,000 for the purpose of the defeasance of the 2000 Series Bonds, along with paying the associated costs of issuing the bond. Under this arrangement, the Corporation made provision for discharge of all bonds by depositing with the Trustee permissible investment obligations sufficient to pay all principal and interest requirements on the bonds to a permitted date of redemption, or to the date of maturity; consequently, the Corporation has no further liability for the bonds. Principal and interest payments are due February 1, beginning in 2009, and interest, which varies from 3.4% to 4.0%, is payable semiannually on February 1 and August 1, beginning February 1, 2007. As of June 30, 2010, the principal balance was \$3,600,000.

**BOURBON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**  
**(Continued)**

**Note 4. Long-term Debt (Continued)**

**B. First Mortgage Revenue Bonds, Series 2006 (Court Facilities Project) (Continued)**

Future principal and interest requirements are:

Fiscal Year Ended June 30,	Governmental Activities	
	Principal	Interest
2011	\$ 245,000	\$ 134,540
2012	255,000	125,964
2013	260,000	117,040
2014	275,000	107,940
2015	280,000	98,040
2016-2020	1,590,000	325,425
2021-2023	695,000	41,600
Totals	<u>\$3,600,000</u>	<u>\$ 950,549</u>

On December 1, 2006, Bourbon County entered into a lease agreement with the Administrative Office of the Courts (AOC), which states that AOC agrees to pay 100% of the debt service requirements. The lease does not require Bourbon County to make any rental payments toward the project; however, Bourbon County is obligated to provide operation, maintenance, insurance and repair of the project.

The bonds are secured by a foreclosable first mortgage lien on the property and an assignment by the Bourbon County Public Properties Corporation of its rights, title and interest in the lease with the AOC.

**C. General Obligation Public Project Bonds, Series 2006 (Courthouse Renovations I)**

On October 1, 2006, the Bourbon County Public Properties Corporation issued \$2,000,000 of General Obligation Public Project Bonds, Series 2006, for the purpose of renovating the courthouse. Principal payments are due biannually on August 1, beginning in 2007, and interest, which varies from 3.5% to 3.75%, is payable semi-annually on August 1 and February 1, beginning on February 1, 2007. As of June 30, 2010, the outstanding principal balance was \$1,480,000.

The bonds are secured by the County's ability to levy, and its pledge to levy, an annual tax to pay the interest on and principal of the bonds.

**BOURBON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**  
**(Continued)**

**Note 4. Long-term Debt (Continued)**

**C. General Obligation Public Project Bonds, Series 2006 (Courthouse Renovations I)**  
**(Continued)**

Future principal and interest requirements are:

Fiscal Year Ended June 30,	Governmental Activities	
	Principal	Interest
2011	\$ 185,000	\$ 50,308
2012	195,000	43,658
2013	200,000	36,645
2014	210,000	29,265
2015	220,000	21,497
2016-2017	470,000	17,755
Totals	<u>\$1,480,000</u>	<u>\$ 199,128</u>

**D. General Obligation Public Project Bonds, Series 2007 (Courthouse Renovations II)**

On February 1, 2007, the Bourbon County Public Properties Corporation issued \$1,750,000 in General Obligation Public Project Bonds, Series 2007, for the purpose of paying additional costs relating to courthouse renovations. Principal payments are due annually on February 1, beginning in 2009, and interest, which varies from 3.625% to 3.85%, is payable semi-annually on August 1 and February 1, beginning August 1, 2007. As of June 30, 2010, the outstanding principal balance was \$1,560,000. Future principal and interest requirements are:

Fiscal Year Ended June 30,	Governmental Activities	
	Principal	Interest
2011	\$ 65,000	\$ 59,290
2012	70,000	56,918
2013	70,000	54,363
2014	75,000	51,808
2015	75,000	48,995
2016-2020	435,000	199,343
2021-2025	525,000	109,725
2026-2027	245,000	14,245
Totals	<u>\$1,560,000</u>	<u>\$ 594,687</u>

The bonds are secured by the County's ability to levy, and its pledge to levy, an annual tax to pay the interest on and principal of the bonds.

**BOURBON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**  
**(Continued)**

**Note 4. Long-term Debt (Continued)**

**E. Changes in Long-term Liabilities**

Long-term liability activity for the year ended June 30, 2010, was as follows:

<b>Primary Government:</b>	<b>Beginning</b>		<b>Ending</b>	<b>Due Within</b>
<b>Governmental Activities:</b>	<b>Balance</b>	<b>Reductions</b>	<b>Balance</b>	<b>One Year</b>
Revenue Bonds	\$3,835,000	\$ 235,000	\$3,600,000	\$ 245,000
General Obligation Bonds	3,285,000	245,000	3,040,000	250,000
Financing Obligations	<u>76,155</u>	<u>5,968</u>	<u>70,187</u>	<u>6,147</u>
Governmental Activities				
Long-term Liabilities	<u>\$7,196,155</u>	<u>\$ 485,968</u>	<u>\$6,710,187</u>	<u>\$ 501,147</u>

**Note 5. Employee Retirement System**

The Fiscal Court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple-employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The County's contribution rate for nonhazardous employees was 16.16 percent.

Hazardous covered employees are required to contribute 8 percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 9 percent of their salary to be allocated as follows: 8% will go to the member's account and 1% will go to the KRS insurance fund. The County's contribution rate for hazardous employees was 32.97 percent.

The County's contribution for FY 2008 was \$452,051, FY 2009 was \$411,863, and FY 2010 was \$481,330.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

**BOURBON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**  
**(Continued)**

**Note 5. Employee Retirement System (Continued)**

Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55. For hazardous employees who begin participation on or after September 1, 2008 aspects of benefits include retirement after 25 years of service or the member is age 60, with a minimum of 60 months of service credit.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement System, 1260 Louisville Road, Frankfort, KY 40601-6124 or by telephone at (502) 564-4646.

**Note 6. Deferred Compensation**

The Bourbon County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by the Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate.

These deferred compensation plans permit all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing the Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing the Kentucky Public Employees Deferred Compensation Authority at 105 Sea Hero Road, Suite 1, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

**Note 7. Insurance**

For the fiscal year ended June 30, 2010, Bourbon County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

**Note 8. Prior Period Adjustment**

The beginning net assets balance for governmental activities has been changed due to errors in the previous years related to capital asset additions and disposals. The net effect on net assets of these errors is a \$29,999 increase in net assets for governmental assets. The specific changes for capital assets have been reflected in Note 3 and are summarized in the following table.



**BOURBON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2010**  
**(Continued)**

**Note 8. Prior Period Adjustment (Continued)**

Asset Category	Ending Balance FY 2009	Beginning Balance FY 2010	Variance	Net Effect on Net Assets
Vehicles and Equipment - net	\$ 280,920	\$ 315,334	\$ 34,414	\$ 34,414
Other Equipment - net	752,996	748,581	(4,415)	(4,415)
Total Net Effect on Beginning Net Assets				<u>\$ 29,999</u>

**Note 9. Contingencies**

There are lawsuits and claims pending against the County which may arise during the normal course of business. The County is a defendant in lawsuits and claims arising from, among other things, wrongful termination and wrongful arrest and search. Although the aggregate amount asserted in such lawsuits and claims is significant, Fiscal Court management believes that the ultimate outcome of these matters, after insurance proceeds, will not have a significant effect on the net assets or changes in net assets of the County's funds.

**Note 10. Recent GASB Pronouncement**

The County has not currently determined what, if any, effect implementation of the following statement may have on the financial statements:

GASB Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*," issued March 2009, is effective for periods beginning after June 15, 2010. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The initial distinction that is made in reporting fund balance information is identifying amounts that are considered nonspendable, such as fund balance associated with inventories. This statement also provides for additional classification as restricted, committed, assigned, and unassigned based on the relative strength of the constraints that control how specific amounts can be spent. Governments also are required to classify and report amounts in the appropriate fund balance classifications by applying their accounting policies that determine whether restricted, committed, assigned, and unassigned amounts are considered to have been spent. Disclosure of the policies in the notes to the financial statements is required.

**Note 11. Subsequent Event**

Under KRS 441.800 the Bourbon County Fiscal Court approved an order to form the Bourbon County – Nicholas County Regional Jail Authority, which will house inmates from both Bourbon and Nicholas Counties. Under KRS 441.810 the Regional Jail Authority is composed of members appointed by the county judges/executive of the respective counties, with Bourbon County appointing three members and Nicholas County appointing two members. Additionally, the Bourbon County Fiscal Court approved a four and half year management-and-use agreement, inclusive of a lease clause for the use of the Bourbon County detention center at \$1 per year. The County has not currently determined what effect, if any, the formation of the Regional Jail Authority will have on the financial statements of the County.

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**BOURBON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Cash Basis**

**For The Year Ended June 30, 2010**



**BOURBON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Cash Basis**

**For The Year Ended June 30, 2010**

	<b>GENERAL FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Taxes	\$ 2,942,420	\$ 2,942,420	\$ 3,816,006	\$ 873,586
Excess Fees	588,567	1,152,376	637,878	(514,498)
Licenses and Permits	73,200	73,200	57,896	(15,304)
Intergovernmental Revenue	5,773,758	5,918,258	1,267,936	(4,650,322)
Charges for Services	15,000	16,600	11,205	(5,395)
Miscellaneous	65,818	66,068	90,049	23,981
Interest	20,000	20,000	4,334	(15,666)
Total Revenues	9,478,763	10,188,922	5,885,304	(4,303,618)
<b>EXPENDITURES</b>				
General Government	3,260,655	3,559,515	1,503,266	2,056,249
Protection to Persons and Property	886,826	1,042,138	914,017	128,121
General Health and Sanitation	3,438,220	3,442,270	556,577	2,885,693
Social Services	260,581	261,817	219,331	42,486
Recreation and Culture	406,279	417,464	259,194	158,270
Debt Service	373,777	373,777	373,776	1
Capital Projects		432	431	1
Administration	1,818,747	1,811,831	900,455	911,376
Total Expenditures	10,445,085	10,909,244	4,727,047	6,182,197
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(966,322)	(720,322)	1,158,257	1,878,579
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out	(1,333,678)	(1,333,678)	(1,000,000)	333,678
Total Other Financing Sources (Uses)	(1,333,678)	(1,333,678)	(1,000,000)	333,678
Net Changes in Fund Balance	(2,300,000)	(2,054,000)	158,257	2,212,257
Fund Balance - Beginning	2,300,000	2,300,000	2,353,656	53,656
Fund Balance - Ending	\$ 0	\$ 246,000	\$ 2,511,913	\$ 2,265,913

See note to required supplementary information.

**BOURBON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Cash Basis**  
**For The Year Ended June 30, 2010**  
**(Continued)**

	<b>ROAD FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Intergovernmental Revenue	\$ 970,971	\$ 1,253,581	\$ 1,372,651	\$ 119,070
Miscellaneous	200	200	24,741	24,541
Interest	2,000	2,000	482	(1,518)
Total Revenues	973,171	1,255,781	1,397,874	142,093
<b>EXPENDITURES</b>				
General Health and Sanitation	25,015	42,891	41,840	1,051
Roads	818,048	841,725	767,658	74,067
Capital Projects	250,000	779,563	639,563	140,000
Administration	355,108	312,602	207,803	104,799
Total Expenditures	1,448,171	1,976,781	1,656,864	319,917
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(475,000)	(721,000)	(258,990)	462,010
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	250,000	250,000	250,000	
Total Other Financing Sources (Uses)	250,000	250,000	250,000	0
Net Changes in Fund Balance	(225,000)	(471,000)	(8,990)	462,010
Fund Balance - Beginning	225,000	225,000	195,947	(29,053)
Fund Balance - Ending	\$ 0	\$ (246,000)	\$ 186,957	\$ 432,957

See note to required supplementary information.

**BOURBON COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Cash Basis**  
**For The Year Ended June 30, 2010**  
**(Continued)**

	<b>JAIL FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Intergovernmental Revenue	\$ 558,470	\$ 558,470	\$ 701,880	\$ 143,410
Charges for Services	33,900	33,900	22,787	(11,113)
Miscellaneous	38,900	38,900	59,940	21,040
Interest	300	300	50	(250)
Total Revenues	631,570	631,570	784,657	153,087
<b>EXPENDITURES</b>				
Protection to Persons and Property	1,359,852	1,367,416	1,264,195	103,221
Administration	367,396	359,832	258,467	101,365
Total Expenditures	1,727,248	1,727,248	1,522,662	204,586
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(1,095,678)	(1,095,678)	(738,005)	357,673
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	1,083,678	1,083,678	750,000	(333,678)
Total Other Financing Sources (Uses)	1,083,678	1,083,678	750,000	(333,678)
Net Changes in Fund Balance	(12,000)	(12,000)	11,995	23,995
Fund Balance - Beginning	12,000	12,000	8,090	(3,910)
Fund Balance - Ending	\$ 0	\$ 0	\$ 20,085	\$ 20,085

See note to required supplementary information.

**BOURBON COUNTY**  
**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2010**

**Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the Fiscal Court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The Fiscal Court may change the original budget by transferring appropriations at the activity level; however, the Fiscal Court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

The Health and Welfare Fund, educational and other trust funds are not budgeted because the financial activity is determined based on legal or outside conditions and requirements.



**BOURBON COUNTY  
COMBINING BALANCE SHEET -  
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS  
Other Supplementary Information**

**June 30, 2010**

**BOURBON COUNTY**  
**COMBINING BALANCE SHEET -**  
**NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**

**June 30, 2010**

	<b>Local Government Economic Assistance Fund</b>	<b>State Grant Fund</b>	<b>Wright House Fund</b>	<b>Phase I Fund</b>	<b>Health and Welfare Fund</b>
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 75,057	\$	\$ 24,229	\$ 66,039	\$ 15,642
Cash and Cash Equivalents - Non-Expendable Trust					
Bonds - Government					
Bonds - Corporate					
Mutual Funds - Fixed					
Mutual Funds - Equity					
Mutual Funds - Taxable					
Common Stock					
Total Assets	<u>75,057</u>	<u></u>	<u>24,229</u>	<u>66,039</u>	<u>15,642</u>
<b>FUND BALANCES</b>					
Reserved:					
Encumbrances	20				
Permanent Funds					
Unreserved:					
Special Revenue Funds	<u>75,038</u>	<u></u>	<u>24,229</u>	<u>66,039</u>	<u>15,642</u>
Total Fund Balances	<u>\$ 75,057</u>	<u>\$ 0</u>	<u>\$ 24,229</u>	<u>\$ 66,039</u>	<u>\$ 15,642</u>

The accompanying notes are an integral part of the financial statements.

**BOURBON COUNTY**  
**COMBINING BALANCE SHEET -**  
**NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**  
**June 30, 2010**  
**(Continued)**

<b>Educational Trust Checking Fund</b>	<b>E.M. Costello Fund</b>	<b>Garth Fund</b>	<b>Thomas Costello Fund</b>	<b>Hamilton Fund</b>	<b>Robert Meteer Fund</b>	<b>Lucy Anderson Fund</b>
\$ 398,078	\$	\$	\$	\$	\$	\$
	65	65	65	65	42,351	10,211
	39,820	114,636	5,447	10,891		
					274,169	
					105,882	120,000
					336,038	135,609
					60,086	147,113
					12,621	
<u>398,078</u>	<u>39,885</u>	<u>114,701</u>	<u>5,512</u>	<u>10,956</u>	<u>831,147</u>	<u>412,933</u>
	39,885	114,701	5,512	10,956	831,147	412,933
<u>398,078</u>						
<u>\$ 398,078</u>	<u>\$ 39,885</u>	<u>\$ 114,701</u>	<u>\$ 5,512</u>	<u>\$ 10,956</u>	<u>\$ 831,147</u>	<u>\$ 412,933</u>

The accompanying notes are an integral part of the financial statements.

**BOURBON COUNTY**  
**COMBINING BALANCE SHEET -**  
**NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**  
**June 30, 2010**  
**(Continued)**

	<b>Harrell- Kennedy Fund</b>	<b>Elaine Hinkle Fund</b>	<b>Lou Redmon Fund</b>	<b>Howard Forquer Fund</b>	<b>May Goff Fund</b>
<b>ASSETS</b>					
Cash and Cash Equivalents	\$	\$	\$	\$	\$
Cash and Cash Equivalents - Non-Expendable Trust	1,010	1,746	1,902	76,820	1,278
Bonds - Government				24,906	
Bonds - Corporate				74,052	
Mutual Funds - Fixed	22,843	8,720	17,158	50,000	31,246
Mutual Funds - Equity	11,288	16,760	12,169	262,109	29,288
Mutual Funds - Taxable			3,569	65,547	5,949
Common Stock				3,163	
Total Assets	<u>35,141</u>	<u>27,226</u>	<u>34,798</u>	<u>556,597</u>	<u>67,761</u>
<b>FUND BALANCES</b>					
Reserved:					
Encumbrances					
Permanent Funds	35,141	27,226	34,798	556,597	67,761
Unreserved:					
Special Revenue Funds					
Total Fund Balances	<u>\$ 35,141</u>	<u>\$ 27,226</u>	<u>\$ 34,798</u>	<u>\$ 556,597</u>	<u>\$ 67,761</u>

The accompanying notes are an integral part of the financial statements.

**BOURBON COUNTY**  
**COMBINING BALANCE SHEET -**  
**NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**  
**June 30, 2010**  
**(Continued)**

<b>Talbott Clay Fund</b>	<b>Frances Champ Fund</b>	<b>FM Gillespie Fund</b>	<b>Ella Davis Fund</b>	<b>Total Non-Major Governmental Funds</b>
\$	\$	\$	\$	\$ 579,045
13,735	65	4,447	8,290	162,115
	49,681			245,381
		24,395		372,616
115,530		79,446	28,573	579,398
139,466		98,402	32,726	1,073,855
70,620				352,884
		3,162		18,946
<u>339,351</u>	<u>49,746</u>	<u>209,852</u>	<u>69,589</u>	<u>3,384,240</u>
				20
339,351	49,746	209,852	69,589	2,805,195
				579,025
<u>\$ 339,351</u>	<u>\$ 49,746</u>	<u>\$ 209,852</u>	<u>\$ 69,589</u>	<u>\$ 3,384,240</u>

The accompanying notes are an integral part of the financial statements.

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**BOURBON COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**

**For The Year Ended June 30, 2010**

**BOURBON COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**

**For The Year Ended June 30, 2010**

	<b>Local Government Economic Assistance Fund</b>	<b>State Grant Fund</b>	<b>Wright House Fund</b>	<b>Phase I Fund</b>
<b>REVENUES</b>				
Intergovernmental	\$ 64,106	\$ 81,808	\$	\$ 398,000
Miscellaneous			3,200	696
Interest	122		23	138
Total Revenues	<u>64,228</u>	<u>81,808</u>	<u>3,223</u>	<u>398,834</u>
<b>EXPENDITURES</b>				
General Government			285	
Protection to Persons and Property	49,929	81,808		
Social Services				
Administration				359,469
Total Expenditures	<u>49,929</u>	<u>81,808</u>	<u>285</u>	<u>359,469</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>14,299</u>		<u>2,938</u>	<u>39,365</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer To Other Funds				
Transfers From Other Funds				
Total Other Financing Sources (Uses)				
Net Change in Fund Balances	14,299		2,938	39,365
Fund Balances - Beginning	60,758		21,291	26,674
Fund Balances - Ending	<u>\$ 75,057</u>	<u>\$ 0</u>	<u>\$ 24,229</u>	<u>\$ 66,039</u>

The accompanying notes are an integral part of the financial statements.



**BOURBON COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**  
**For The Year Ended June 30, 2010**  
**(Continued)**

<b>Health and Welfare Fund</b>	<b>Educational Trust Checking Fund</b>	<b>EM Costello Fund</b>	<b>Garth Fund</b>	<b>Thomas Costello Fund</b>	<b>Hamilton Fund</b>
\$	\$	\$	\$	\$	\$
	2,200				
137	618	2,867	7,119	330	723
137	2,818	2,867	7,119	330	723
1,734	118,930				
1,734	118,930				
(1,597)	(116,112)	2,867	7,119	330	723
		(3,241)	(11,365)	(508)	(1,145)
	145,120				
	145,120	(3,241)	(11,365)	(508)	(1,145)
(1,597)	29,008	(374)	(4,246)	(178)	(422)
17,239	369,070	40,259	118,947	5,690	11,378
\$ 15,642	\$ 398,078	\$ 39,885	\$ 114,701	\$ 5,512	\$ 10,956

The accompanying notes are an integral part of the financial statements.

**BOURBON COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**  
**For The Year Ended June 30, 2010**  
**(Continued)**

	<b>Robert Meter Fund</b>	<b>Lucy Anderson Fund</b>	<b>Harrell - Kennedy Fund</b>	<b>Elaine Hinkle Fund</b>
<b>REVENUES</b>				
Intergovernmental	\$	\$	\$	\$
Miscellaneous				
Interest	16,000	7,323	948	(1,330)
Total Revenues	16,000	7,323	948	(1,330)
<b>EXPENDITURES</b>				
General Government				
Protection to Persons and Property				
Social Services	20,250			100
Administration				
Total Expenditures	20,250			100
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(4,250)	7,323	948	(1,430)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer To Other Funds		(11,746)	(879)	(232)
Transfers From Other Funds				
Total Other Financing Sources (Uses)		(11,746)	(879)	(232)
Net Change in Fund Balances	(4,250)	(4,423)	69	(1,662)
Fund Balances - Beginning	835,397	417,356	35,072	28,888
Fund Balances - Ending	\$ 831,147	\$ 412,933	\$ 35,141	\$ 27,226

The accompanying notes are an integral part of the financial statements.

**BOURBON COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**  
**For The Year Ended June 30, 2010**  
**(Continued)**

<b>Lou Redmon Fund</b>	<b>Howard Forquer Fund</b>	<b>May Goff Fund</b>	<b>Talbott Clay Fund</b>	<b>Frances Champ Fund</b>	<b>FM Gillespie Fund</b>	<b>Ella Davis Fund</b>
\$	\$	\$	\$	\$	\$	\$
788	(46,453)	1,247	7,294	3,931	6,787	1,094
788	(46,453)	1,247	7,294	3,931	6,787	1,094
30	625		8,670		5,106	1,680
30	625		8,670		5,106	1,680
758	(47,078)	1,247	(1,376)	3,931	1,681	(586)
(1,153)	(12,147)	(1,570)		(6,058)		
(1,153)	(12,147)	(1,570)		(6,058)		
(395)	(59,225)	(323)	(1,376)	(2,127)	1,681	(586)
35,193	615,822	68,084	340,727	51,873	208,171	70,175
\$ 34,798	\$ 556,597	\$ 67,761	\$ 339,351	\$ 49,746	\$ 209,852	\$ 69,589

The accompanying notes are an integral part of the financial statements.

**BOURBON COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**  
**For The Year Ended June 30, 2010**  
**(Continued)**

	<b>Total Non-Major Governmental Funds</b>
<b>REVENUES</b>	
Intergovernmental	\$ 543,914
Miscellaneous	6,096
Interest	9,706
Total Revenues	<u>559,716</u>
<b>EXPENDITURES</b>	
General Government	285
Protection to Persons and Property	131,737
Social Services	157,125
Administration	359,469
Total Expenditures	<u>648,616</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(88,900)</u>
<b>OTHER FINANCING SOURCES (USES)</b>	
Transfer To Other Funds	(50,044)
Transfers From Other Funds	145,120
Total Other Financing Sources (Uses)	<u>95,076</u>
Net Change in Fund Balances	6,176
Fund Balances - Beginning	<u>3,378,064</u>
Fund Balances - Ending	<u><u>\$ 3,384,240</u></u>

The accompanying notes are an integral part of the financial statements.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**





Blue & Co., LLC / 301 East Main Street, Suite 1100 / Lexington, KY 40507  
main 859.253.1100 fax 859.253.1384 email blue@blueandco.com

The Honorable Donnie R. Foley, Bourbon County Judge/Executive  
Members of the Bourbon County Fiscal Court

Report On Internal Control Over Financial Reporting And On  
Compliance And Other Matters Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Bourbon County, Kentucky, as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated February 15, 2011. Bourbon County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Bourbon County Fiscal Court's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Bourbon County Fiscal Court's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Bourbon County Fiscal Court's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying comments and recommendations, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying comments and recommendations as items 2010-01 and 2010-02 to be material weaknesses.

Report On Internal Control Over Financial Reporting And On  
Compliance And Other Matters Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

Internal Control Over Financial Reporting (Continued)

A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying comments and recommendations as items 2010-03 and 2010-04 to be significant deficiencies.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Bourbon County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying comments and recommendations as items 2010-05.

The Bourbon County Judge/Executive's and the County Jail Administrator's responses to the findings identified in our audit are included in the accompanying comments and recommendations. We did not audit the Bourbon County Judge/Executive's and the County Jail Administrator's responses and, accordingly, we express no opinion on them.

We noted certain other matters that we reported to management of Bourbon County Fiscal Court in the exit conference on February 8, 2011.

This report is intended solely for the information and use of management, the Bourbon County Fiscal Court, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

*Blue & Co., LLC*

February 15, 2011



**BOURBON COUNTY  
COMMENTS AND RECOMMENDATIONS**

**For The Year Ended June 30, 2010**



**BOURBON COUNTY**  
**COMMENTS AND RECOMMENDATIONS**

**Fiscal Year Ended June 30, 2010**

**INTERNAL CONTROL - MATERIAL WEAKNESSES:**

**2010-01     The Fiscal Court Should Maintain Complete And Accurate Capital Asset Schedules To Comply With GASB 34 Requirements And Inventory Capital Assets Periodically**

The County did not have a completed capital asset schedule for fiscal year ended June 30, 2010. A list of capital asset additions, retirements and disposals was not properly maintained. A schedule of additions should be maintained as assets are purchased to simplify the process of updating the capital asset schedule. The schedule should include the date the asset is acquired, a description of the asset, the vendor name, and the amount. Furthermore, we believe that the capital asset listing should be monitored and maintained on a regular basis. As new assets are acquired they should be added to the listing. As equipment is retired or disposed of it should be removed from the listing. We recommend that the County maintain complete and accurate capital asset schedules and records to comply with GASB 34 requirements.

The Fiscal Court should take a physical inventory of its capital assets on a regular basis (such as once a year) or at the beginning of a new administration to ensure only active, in-service machinery and equipment is included on the County's financial statements. We also recommend that the County implement policies that will identify and track additions, retirements and disposed assets for the purpose of the capital asset schedule. These procedures will ensure that fixed assets are properly stated and that depreciation is being calculated accurately.

*County Judge/Executive and Treasurer's Response: The Fiscal Court will maintain detailed depreciation schedules and periodically review the schedules for accuracy. The Fiscal Court will perform a physical inventory on an annual basis as recommended.*

**2010-02     The Jail Should Charge Jail Fees In Accordance With The Fee Schedule Adopted By The Fiscal Court**

The Bourbon County Jail is not following the fee schedule approved by the Fiscal Court. We recommend the Jail begin charging the appropriate approved fees or propose a new fee schedule to be adopted by the Fiscal Court.

*Jail Administrator's Response: We have changed the fees schedule and will be in accordance with the new revised fee schedule adopted by the Fiscal Court April 28, 2011. Completion date: April 28, 2011.*

**BOURBON COUNTY**  
**COMMENTS AND RECOMMENDATIONS**  
**Fiscal Year Ended June 30, 2010**  
**(Continued)**

INTERNAL CONTROL - SIGNIFICANT DEFICIENCIES:

2010-03      The Jail Did Not Maintain An Adequate Cash Disbursements Journal Or Properly Reconcile The Canteen Fund Bank Account

During our procedures we noted that the Jail did not maintain an adequate cash disbursements journal for the Canteen Fund bank account. This journal should include all checks written and voided, regardless of whether or not they have cleared on the bank statement. Because of the lack of cash disbursements journal, the bank account was not properly reconciled. A cash reconciliation that reconciles the bank balance to the general ledger should be prepared to determine that all transactions have been properly recorded.

We recommend that a cash disbursements journal be maintained and used to reconcile the bank account balance to the general ledger.

*Jail Administrator's Response: We have established a cash disbursement journal and are currently properly reconciling the Canteen Fund bank account. Completed: January 25, 2011.*

2010-04      Accounts Receivable Of Jail Inmate Fees Should Be Properly Accounted For And Reconciled

During our procedures, it was noted that financial records to substantiate accounts receivable were not available for the audit period. A reconciliation process began in January 2010 to ensure that individuals were properly released in the Cobra Banker system and that inmates released did not continue to accrue housing charges. However, some inmates that were released prior to January 2010 were not removed from the system and in some cases were still accruing housing charges even though they were released from jail.

We recommend that the Cobra Banker system be reconciled to the Jail Tracker system for release dates to ensure that housing charges are accruing correctly. We also recommend that the jail create a process to check the housing charges daily to ensure that the amount being accrued in the Cobra Banker system is accurate. This can be done by taking the housing rate and multiplying by the number of inmates. This total should equal the total of housing accounts receivable recorded in the Cobra Banker system. By not having adequate records, amounts billed could remain uncollected or be incorrect, resulting in lost revenue for the County.

*Jail Administrator's Response: This issue has been ongoing for the past 12 years. Jail staff have been shown how to correct this problem during this audit. The accruing housing charges will be accurately updated and maintained by April 28, 2011. Completion date: April 28, 2011.*

**BOURBON COUNTY  
COMMENTS AND RECOMMENDATIONS  
Fiscal Year Ended June 30, 2010  
(Continued)**

**STATE LAWS AND REGULATIONS:**

**2010-05      Sales Tax On Prepaid Phone Cards Sold At The Jail Should Be Collected And Remitted**

During testing of Jail Commissary expenditures we noted that the jail commissary had not collected or remitted sales tax to the Kentucky Department of Revenue on the sale of telephone cards. KRS 139.200 states: "A tax is hereby imposed upon all retailers at the rate of six percent (6%) of the gross receipts derived from: (1) Retail sales of: (a) Tangible personal property, regardless of the method of delivery, made within this Commonwealth" which includes "(d) Prepaid calling service". The Kentucky Department of Revenue has ruled that this tax is applicable to commissary sales. The effect of the non-payment of sales tax is that the Jail Commissary now has incurred a tax liability to the Kentucky Department of Revenue. We recommend the Jailer contact the Kentucky Department of Revenue to determine the amount of sales tax due for prior year and for the Jail Commissary to remit sales to the Kentucky Department of Revenue as prescribed by KRS 139.550. We noted in the Jail's Policy and Procedure manual that the policy is to charge sales tax on the sale of phone cards. We recommend this policy be followed.

*Jail Administrator's Response: Swanson will contact the Kentucky Department of Revenue and pay the sales tax owed. Going forward Swanson's will charge and remit to the Kentucky Department of Revenue the appropriate sales tax on phone cards. Completed: February 8, 2011.*

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**CERTIFICATION OF COMPLIANCE -  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

**BOURBON COUNTY FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2010**

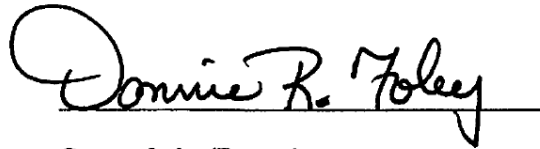




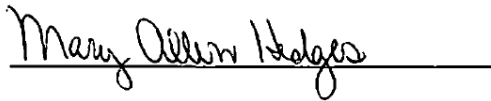
CERTIFICATION OF COMPLIANCE  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM  
BOURBON COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2010

The Bourbon County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



County Judge/Executive



County Treasurer

